

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

CELSIUS NETWORK LLC, *et al.*,¹

Debtors.

CELSIUS NETWORK LIMITED,

Plaintiff,

v.

STAKEHOUND SA,

Defendant.

Chapter 11

Case No. 22-10964 (MG)

Jointly Administered

Adversary Proceeding
No. 23-01138 (MG)

**DECLARATION OF RICHARD
MAN IN SUPPORT OF
TEMPORARY RESTRAINING
ORDER AND MOTION FOR
PRELIMINARY INJUNCTION**

I, Richard Man, pursuant to 28 U.S.C. § 1746, hereby declare as follows:

1. I am the Head of Staking at Celsius Network Limited (“Celsius” or the “Company”). I am in charge of and responsible for the Company’s staking activities, deployment and strategy. I joined Celsius as the Head of Staking in February 2022.

2. I submit this declaration in support of Celsius’ Motion for a Temporary Restraining Order and Preliminary Injunction (the “Motion”) against Defendant StakeHound S.A. (“StakeHound” or “Defendant”).

¹ The Debtors in these chapter 11 cases (the “Chapter 11 Cases”), along with the last four digits of each Debtor’s federal tax identification number, are: Celsius Network LLC (2148); Celsius KeyFi LLC (4414); Celsius Lending LLC (8417); Celsius Mining LLC (1387); Celsius Network, Inc. (1219); Celsius Network Limited (8554); Celsius Networks Lending LLC (3390); and Celsius US Holding LLC (7956). The Debtors’ service address in these Chapter 11 Cases is 121 River Street, PH05, Hoboken, New Jersey (07030).

3. Except as otherwise indicated, all facts set forth herein are based on my personal knowledge, my review of transactions visible on the blockchain, and documents and information provided to me based on my work for Celsius, including documents and information dating to prior to the time of my arrival at Celsius.

A. StakeHound

4. StakeHound is a private limited company that was engaged in the business of managing and operating ETH validator nodes to provide staking services to ETH holders. In addition, other digital assets such as MATIC and DOT (together with ETH, “Native Tokens”), were delegated to public staking providers. The staked Native Tokens were used to validate transactions on the associated blockchain, and in exchange earn interest, fees and other rewards for doing so (the “Rewards”). Primarily Celsius (plus a small handful of other customers) entrusted their Native Tokens to StakeHound and StakeHound minted and issued to Celsius, stTokens (“stTokens”) on a one-to-one basis, allowing the customer (in theory) to use the stTokens as liquidity in the DeFi ecosystem, and tender them back to StakeHound on a one to one basis for Native Tokens.

5. StakeHound was an early participant in the liquid staking industry. Other participants in this industry include LIDO (which issues its own “stETH” receipt tokens) and Rocketpool (which issues “RETH” tokens). Each of these liquid staking platforms operates similarly to how StakeHound operated, accepting Native Tokens from its users, staking those Native Tokens, and issuing users receipt tokens in the same number as the Native Tokens tendered by the user (the “Receipt Tokens”). Those Receipt Tokens lack any intrinsic value, but provide the holder a right of exchange for the same number of Native Tokens and therefore have value and can be traded accordingly.

6. In all cases that I am familiar with, users are able to tender their Receipt Tokens to the respective liquidity staking platform and receive back Native Tokens on a one to one basis, plus fees.² Indeed, that is precisely what happened when Celsius redeemed approximately 428,000 LIDO stETH tokens to LIDO in May, 2023, receiving in return the same number of native ETH coins worth approximately \$770 million. I have never heard of any liquid staking platform that offers to return Native Tokens equal merely to the *trading or fiat value* of the Receipt Tokens tendered by the user.

B. The Staking Transactions and Relevant Contracts between Celsius and StakeHound

7. In November 2020, Jason Stone, then CEO of Celsius KeyFi LLC, introduced StakeHound to Celsius. True and correct copies of documents evidencing the introduction are attached as Exhibit A.

8. Thereafter, Celsius entered into transactions with StakeHound and proceeded to transfer to StakeHound: (i) in January 2021, approximately 25,000 staked native ETH that Celsius had previously staked with a staking provider, Staked.us, in November 2020; (ii) in February 2021, approximately 35,000 native ETH which were then staked by StakeHound; and (iii) in April 2021, 40,000,000 (40 million) native MATIC tokens and 66,000 native DOT tokens for staking (together, the “Staking Transactions”).

9. First, in November 2020, Jason Stone, then CEO of Celsius KeyFi LLC, staked 24,960 ETH owned by Celsius by transferring the ETH to the ETH2 depositor address 0x39DC6a99209B5e6B81dC8540C86Ff10981ebDA29 to accrue staking Rewards (the

² Users must pay “gas fees” to the networks that facilitate the transactions. Gas fees are typically negligible in amount. Additionally, in the case of ETH, users of liquidity staking platforms were unable to tender their Receipt Tokens back to the liquidity staking platform until the Ethereum blockchain enabled unstaking and withdrawals (the so-called “Shanghai Upgrade”) on April 12, 2023.

“November 2020 Staked ETH”).³ The ETH2 depositer address was controlled by Staked.us, an U.S.-based entity that provides non-custodial staking services. Staked.us subsequently transferred the ETH to the “Beacon Deposit Contract” 0x00000000219ab540356cBB839Cbe05303d7705Fa. At the time, all ETH transferred to the Beacon Deposit Contract, including the November 2020 Staked ETH, was locked and unavailable for withdrawal pending completion of an ongoing upgrade to the Ethereum blockchain (the “Upgrade”). (The Upgrade was completed on April 12, 2023.)

10. Following the transfer, Celsius and StakeHound entered into a Staking Services Agreement on January 20, 2021 (the “SSA”). A true and correct copy of the SSA is hereby attached as Exhibit B.

11. Pursuant to the SSA, Celsius agreed to transfer to StakeHound the November 2020 Staked ETH in exchange for the same number of stETH (plus stETH associated with Rewards to be earned on the native ETH). Specifically, the SSA provides that stETH issued by StakeHound in exchange for the transfer of the November 2020 Staked ETH are a “one to one representation of a [native] token staked by StakeHound on its platform.” *See* Exhibit B at 1. And in fact, StakeHound did transfer to Celsius exactly the same number of stETH as native ETH associated with the validator nodes Celsius transferred to StakeHound.

12. At the time of contracting between Celsius and StakeHound, the November 2020 Staked ETH was locked in the Deposit Smart Contract with Staked.us. In order to facilitate the transaction, the private keys for the wallet that Celsius used to fund the contract were transferred from Celsius to Stakehound, and in return StakeHound transferred stETH in the same number as

³ ETH must be staked in multiples of 32. It is unclear, however, why Mr. Stone staked 24,960 ETH rather than 24,992 ETH, a figure that also is divisible by 32.

the number of November 2020 Staked ETH (plus Rewards) to Celsius. Celsius and StakeHound then asked Staked.us to assign the existing nodes for the November 2020 Staked ETH to StakeHound's account, admin@stakehound.com, such that StakeHound could assume access to the nodes funded by the November 2020 Staked ETH. Staked.us proceeded to do so on or around January 26, 2021. *See* Exhibit C.

13. Second, in February 2021, Celsius provided an additional approximately 35,000 native ETH (the "February 2021 Staked ETH") to StakeHound. In return, StakeHound provided Celsius with the same number of stETH. The February 2021 Staked ETH was governed by the standard StakeHound Terms and Conditions (the "Terms and Conditions"). *See* Exhibit B of the SSA (attaching StakeHound's Terms and Conditions).

14. Third, on or around April 21, 2021, Celsius and StakeHound entered into a Revenue Sharing Agreement (the "RSA") setting forth the terms of revenue sharing arrangement whereby StakeHound would issue stTokens to earn Rewards in exchange for Native Tokens provided by Celsius and the sharing of Rewards earned on those Native Tokens. A true and correct copy of the RSA is hereby attached as Exhibit D. The RSA provided that Celsius, "may from time to time, in its sole discretion, provide StakeHound with Native Tokens in order for StakeHound to stake them and operate the nodes on the Platform" and "[i]n exchange StakeHound will issue stTokens to [Celsius]." RSA § 2.2.

15. On that same day, Celsius and StakeHound entered into a term sheet (the "MATIC Term Sheet") whereby Celsius transferred 40,000,000 Native MATIC tokens pursuant to the RSA and whereby StakeHound issued 40,000,000 stMATIC to Celsius. A true and correct copy of the MATIC Term Sheet is attached here as Exhibit E.

16. During the negotiations and shortly before executing the RSA and MATIC Term Sheets, StakeHound stated in an April 19, 2021 email to Celsius that after a 9 day unlock period, Celsius “could send MATIC and get stMATIC at a 1 to 1 ratio any time” and that “[y]ou can do viceversa also[.]” A complete and accurate copy of the email evidencing this exchange is attached hereto as Exhibit F.

17. On or around April 27, 2021, Celsius and StakeHound entered into another term sheet (the “DOT Term Sheet” together with the MATIC Term Sheet, the “Term Sheets”) whereby Celsius transferred 66,000 of its native DOT tokens pursuant to the RSA and in return, StakeHound issued 66,000 stDOT tokens to Celsius. A true and correct copy of the DOT Term Sheet is attached as Exhibit G.

18. To my knowledge, 100% of the MATIC and DOT ever provided to StakeHound was provided by Celsius.

19. According to both StakeHound and Fireblocks, one of StakeHound’s custody providers, on or around May 2, 2021, private keys associated with the February 2021 Staked ETH were lost. Specifically, StakeHound claims it sharded the private keys and entrusted one of the shards with Fireblocks without backing up the shard.⁴ Fireblocks then allegedly inadvertently destroyed the shard and could not recover it.

20. Several weeks afterwards, on May 25, 2021, StakeHound sent an email assuring Celsius that although the February 2021 Staked ETH had been affected by the loss of the private keys, “[a]ll of the assets held by StakeHound which are not connected with Fireblock’s ETH batch

⁴ “Sharding” refers to a database portioning technique used by blockchain companies to split their blockchain network into smaller partitions, known as “shards.” Each shard is comprised of its own data, making it distinctive and independent when compared to other shards.

remain secure.” A true and correct copy of StakeHound’s May 25, 2021 email is attached as Exhibit H.

21. On May 25, 2023, Celsius demanded return of all native MATIC and DOT, including accrued rewards. *See* Hurley Decl. Ex I. StakeHound has not transferred any of the native MATIC or native DOT to Celsius. Upon information and belief, StakeHound ignored Celsius’ May 25, 2023 letter entirely, and has not sought to justify its continuing withholding of the native MATIC and DOT at any time.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on August 23, 2023

A handwritten signature in black ink, appearing to read "Richard Man", written over a horizontal line.

RICHARD MAN